

# LABOR, MANAGEMENT AND MEDICINE

## *The Management Viewpoint\**

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THAT this Academy should devote its Scientific Session to a consideration of the socio-economic problems of medical care suggests two things: 1) The problems of medical care have reached a magnitude that impel attention; and 2) The medical profession is becoming increasingly aware of the problem, recognizes it has a role, as well as a stake, in the way these problems are to be met, and is seeking more knowledge to permit informed and intelligent action. I congratulate you on thus carrying your interests beyond the bounds of the science of medicine into its economics, and I appreciate the opportunity to join you in your deliberations tonight.

When your Chairman asked if I would present industrial management's point of view, he indicated that organized labor had freely and frequently voiced its attitudes on the subject, but that the medical profession had rarely heard the position of management expressed. I think this is to some degree true, and the hope of assisting in changing this led me to accept the invitation immediately.

A year ago this month Mr. R. Conrad Cooper, Executive Vice President, Personnel Services, United States Steel, presented a paper, and participated in a panel discussion on this very subject, at the Thirteenth Annual Scientific Assembly of the American Academy of General Practice. At the beginning of his paper he set forth three basic beliefs, pertinent to this subject, in such a forthright and succinct way that I would like to quote them for you:

"First, the management people I represent believe implicitly in the competitive, free enterprise system. We believe that the private practice of medicine is, and should be, a part of that system. Secondly, we favor freedom of the individual, freedom to choose where he wants to work, and what kind of work, and freedom to spend or save his earnings in the way he wants. We include in this the freedom of the individual

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to choose his own source of medical attention, physician, clinic or whatever medical agency he wishes. We do not feel that someone else should make that choice for him. Third, we feel strongly that freedom and responsibility for oneself and one's actions must go hand in hand. Having someone else bear the full costs of medical care for oneself and his family tends inevitably to erode personal responsibility. Moreover, it would seem to result in a tremendous and unwarranted increase in the total costs of such service.”\*

While there may be a number of reasons why industrial management is interested in matters of medical care, I think two reasons merit mention:

1. Recognition of the direct relationship between health and the individual's effectiveness at work, coupled with the natural interest in the health of oneself and one's co-workers, makes quality and availability of medical care matters of concern for management.

2. The relentless, steep rise in the costs of medical care, with no end yet in sight, is carrying with it an increasing financial impact on industry.

As an example of this second point, in 1960 in my company, insured medical care costs, including the costs of sickness and accident benefits, amounted to about 40 million dollars. The similar cost in 1961, per covered employee, was even higher. These are company costs relating to medical care.

We recognize that medical care costs represent many things that are of great worth, such as the tremendous strides in the science of medicine, wider use by people of more effective methods of diagnosis and treatment developed by physicians, and the like. I am sure that no member of management in my company wants to see these cast aside, nor any prevention of further such advances. We recognize, too, that there are elements that contribute to rising costs that are beyond the control of the physician.

It is our hope, however, that each physician recognizes that it is he who decides whether a patient shall be hospitalized and when he shall be discharged, what segment of the broad spectrum of professional and hospital services shall be applied, whether and what type of surgery is to be used, whether his patient can work or should be out on sickness disability benefits, and so on. He thus plays a significant role in important factors that determine total cost.

† Cooper, R. C. *Economics of Medicine, Abstracts of 13th Annual Scientific Assembly, American Academy of General Practice*, April 13, 1961.

Regarding medical care costs, Mr. Cooper noted: "It has been said that the rise in costs will continue until the only one able to pay for it will be Uncle Sam, and then we shall have socialized medicine. If costs continue to rise without end, this could happen. We in industry do not want socialized medicine any more than we want socialized industry. We believe that an approach to the control of costs should be first the responsibility of the physicians who are at the core of the system and know it intimately."

That last sentence merits emphasis. It is easy to cut costs merely by not doing things for patients that would benefit them, and thereby saving that expense. The difficult challenge is to maintain quality of medical care while bringing to bear some controls on the relentless rise in costs. Quality of medical care involves physician judgment. That is why industrial management looks to the medical profession first to develop controls that will not impair quality.

In addition, that quotation from Mr. Cooper's paper suggests an interesting parallel. The steel industry is facing increasing competition at home and abroad. Steel is in a difficult cost-price squeeze. Industries meet competitive challenge by striving to improve the efficiencies of their operations, reduce the cost of production, and increase the quantity and quality of their products and services.

We believe that the private practice of medicine now faces a major and comparable competitive challenge, which it must meet if it is to survive as a part of the competitive, free enterprise system.

We are seeing a heartening increase in awareness and in responsible actions by the medical profession to meet this challenge. The medical societies' Foundation plans in California, the "Marshall Plan" of the Pennsylvania Medical Society's Tenth Councilor District, the recently established Commission on the Cost of Medical Care of the American Medical Association, the AMA's regional meetings to encourage further the burgeoning growth of Utilization Committees among the physician staffs of hospitals—these are but a few instances of increasing awareness and action. Your attention to the subject tonight is another example.

We in industry applaud such steps and urge each physician, singly and in groups, to recognize the significance of this problem, to study the many factors involved and thus to devote themselves to informed action toward its solution.